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1 through June 30 ((following the prior cost report year)), 1995 from costs arrayed.

(c) The median or fiftieth percentile nursing facility food cost for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted food cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above and below it shall be subject to field audit in the food cost area prior to issuing new July 1 rates.

(3) ((Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates)) For July 1, 1995 rate setting only, food component rates for facilities within each peer group shall be set ((for the first fiscal year of each state biennium)) at the lower of:

(a) The facility's adjusted per patient day food cost from the ((most recent prior)) 1994 report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing facility food cost for the facility's peer group using the 1994 calendar year report data plus twenty-five percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(4) Rate add-ons made to current fund food costs, pursuant to WAC 388-96-777 and commencing in the ((prior)) 1994 cost report year, shall be reflected in ((first fiscal year of a state biennium)) July 1, 1995 prospective rates only by their inclusion in the costs arrayed. A facility shall not receive, based on any calculation or consideration of any such ((prior)) 1994 report year rate add-ons, a July 1, 1995 food rate higher than that provided in subsection (3) of this section.

(5) ((For July 1, 1993 rate setting only, food rate adjustments, granted under authority of WAC 388-96-777 and commencing from January 1, 1993 through June 30, 1993, shall be added to a facility's food rate established under subsection (3) of this section.)) For ((all rate setting beginning)) July 1, 1995 and following rate settings, the department shall add food rate add-ons, granted under authority of WAC 388-96-777 ((and commencing from January 1 through June 30 preceding the start of a state biennium)), to a nursing facility's rate in food, but only up to the facility's peer group median cost plus twenty-five percent limit as follows:

(a) For July 1, 1995, add-ons commencing in the preceding six months;

(b) For July 1, 1996, add-ons commencing in the preceding eighteen months; and

(c) For July 1, 1997, add-ons commencing in the preceding thirty months.

(6) Subsequent to issuing ((the first fiscal year)) July 1, 1995 rates, the department shall recalculate the median costs of each peer group based upon the most recent adjusted food cost report information in departmental records as of October 31 ((of the first fiscal year of each biennium)), 1995. For any facility which would have received a higher or lower July 1, 1995 component rate ((for the first fiscal year)) in food based upon the recalculation of that facility's peer group median costs, the department shall reissue that

facility's food rate reflecting the recalculation, retroactive to July 1 ((of the first fiscal year)), 1995.

(7) For both the initial calculation of peer group median costs and the recalculation based on adjusted nursing services cost information as of October 31 ((of the first fiscal year of the biennium)), 1995, the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs, once calculated utilizing October 31, 1995 adjusted cost information, shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(8) ((Beginning with July 1, 1994 prospective rates, a nursing facility's rate in food for the second fiscal year of each biennium shall be that facility's food rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.))

((The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 food rates occurring within each biennium shall be followed in the same order for each succeeding biennium.)) For rates effective July 1, 1996, a nursing facility's noncost-rebased component rate in food shall be that facility's food component rate existing on June 30, 1996, reduced or inflated as authorized by RCW 74.46.420 and WAC 388-96-719. The July 1, 1996, food component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective food component rate as of June 30, 1996, excluding any rate increases granted from January 1, 1996 to June 30, 1996 pursuant to RCW 74.46.460 and WAC 388-96-777.

(9) For rates effective July 1, 1997, a nursing facility's noncost-rebased component rate in food shall be that facility's food component rate existing on June 30, 1997, reduced or inflated as authorized by RCW 74.46.420 and WAC 388-96-719. The July 1, 1997, food component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective food component rate as of June 30, 1997, excluding any rate increases granted from January 1, 1997 to June 30, 1997 pursuant to RCW 74.46.460 and WAC 388-96-777.

**AMENDATORY SECTION** (Amending Order 3737, filed 5/26/94, effective 6/26/94)

**WAC 388-96-735 Administrative cost area rate.** (1) The administrative cost center shall include for cost reporting purposes all administrative, oversight, and management costs, whether incurred at the facility or allocated in accordance with a department-approved joint cost allocation methodology. ((Such costs shall be identical to the cost report line items categorized on the 1992 calendar year report under "general and administrative" within the administration and operations (A&O) combined cost center existing for reporting purposes prior to January 1, 1993, with the exception of nursing supplies and purchased and allocated medical records. The department shall issue cost reporting instructions identifying administrative costs for 1992 and following cost report years.))

(2) ((Once every two years, when the rates are set at the beginning of each new biennium, starting with July 1, 1993

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prospective)) For July 1, 1995 rate setting only, the department shall determine peer group median cost plus limits for the administrative cost center in accordance with this section.

(a) The department shall divide into two peer groups nursing facilities located in the state of Washington providing services to Medicaid residents. These two peer groups shall be:

(i) Those nursing facilities located within a Metropolitan Statistical Area (MSA) as defined and determined by the United States Office of Management and Budget or other applicable federal office (MSA facilities); and

(ii) Those not located within such an area (Non-MSA facilities).

(b) Prior to any adjustment for economic trends and conditions under WAC 388-96-719, the facilities in each peer group shall be arrayed from lowest to highest by magnitude of per ((patient)) resident day adjusted administrative cost from the ((prior)) 1994 cost report year((- excluding the costs of nursing supplies and purchased and allocated medical records)), regardless of whether any such adjustments are contested by the nursing facility. All available cost reports from the ((prior)) 1994 cost report year having at least six months of cost report data shall be used, including all closing cost reports covering at least six months. The department shall include costs current-funded by means of rate add-ons, granted under the authority of WAC 388-96-777 and commencing in the ((prior)) 1994 cost report year((-)) in costs arrayed. The department shall exclude costs current-funded by rate add-ons granted under the authority of WAC 388-96-777 and commencing January 1 through June 30 ((following the prior cost report year)), 1995 from costs arrayed.

(c) The median or fiftieth percentile nursing facility administrative cost for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted administrative cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above and below it shall be subject to field audit in the administrative cost area prior to issuing new July 1 rates.

(3) ((Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates)) For July 1, 1995 rate setting only, administrative component rates for facilities within each peer group shall be set for the ((first fiscal year of each state biennium)) at the lower of:

(a) The facility's adjusted per patient day administrative cost from the ((most recent prior)) 1994 report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing facility administrative cost for the facility's peer group using the 1994 calendar year report data plus ten percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(4) Rate add-ons made to current fund administrative costs, pursuant to WAC 388-96-777 and commencing in the ((prior)) 1994 cost report year, shall be reflected in ((first fiscal year of a state biennium)) July 1, 1995 prospective rates only by their inclusion in the costs arrayed. A facility shall not receive, based on the calculation or consideration

of any such ((prior)) 1994 report year adjustment, a July 1, 1995 administrative rate higher than that provided in subsection (3) of this section.

(5) ((For July 1, 1993 rate setting only, administrative rate adjustments, granted under authority of WAC 388-96-774 and commencing from January 1, 1993 through June 30, 1993, shall be added to a facility's administrative rate established under subsection (3) of this section.)) For all rate setting beginning July 1, 1995 and following, the department shall add administrative rate add-ons, granted under authority of WAC 388-96-777 ((and commencing from January 1 through June 30 preceding the start of a state biennium)) to a facility's administrative rate, but only up to the facility's peer group median cost plus ten percent limit as follows:

(a) For July 1, 1995, add-ons commencing in the preceding six months;

(b) For July 1, 1996, add-ons commencing in the preceding eighteen months; and

(c) For July 1, 1997, add-ons commencing in the preceding thirty months.

(6) Subsequent to issuing ((the first fiscal year)) July 1, 1995 rates, the department shall recalculate the median costs of each peer group based on the most recent adjusted administrative cost report information in departmental records as of October 31 ((of the first fiscal year of each biennium)), 1995. For any facility which would have received a higher or lower July 1, 1995 administrative component rate ((for the first fiscal year)) based upon the recalculation of that facility's peer group median costs, the department shall reissue that facility's administrative rate reflecting the recalculation, retroactive to July 1 ((of the first fiscal year)), 1995.

(7) For both the initial calculation of peer group median costs and the recalculation based on adjusted administrative cost information as of October 31 ((of the first fiscal year of the biennium)), 1995 the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs, once calculated utilizing October 31, 1995 adjusted cost information, shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(8) ((Beginning with July 1, 1994 prospective rates, a nursing facility's administrative rate for the second fiscal year of each biennium shall be that facility's administrative rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.

(9) The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 administrative rates occurring within each biennium shall be followed in the same order for each succeeding biennium.)) For rates effective July 1, 1996, a nursing facility's noncost-rebased administrative component rate shall be that facility's administrative component rate existing on June 30, 1996, reduced or inflated as authorized by RCW 74.46.420 and WAC 388-96-719. The July 1, 1996, administrative component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective administrative component rate as of June 30, 1996, excluding any rate

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increases granted from January 1, 1996 to June 30, 1996 pursuant to RCW 74.46.460 and WAC 388-96-777.

(9) For rates effective July 1, 1997, a nursing facility's noncost-rebased administrative component rate shall be that facility's administrative component rate existing on June 30, 1997, reduced or inflated as authorized by RCW 74.46.420 and WAC 388-96-719. The July 1, 1997, administrative component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective administrative component rate as of June 30, 1997, excluding any rate increases granted from January 1, 1997 to June 30, 1997 pursuant to RCW 74.46.460 and WAC 388-96-777.

**AMENDATORY SECTION** (Amending Order 3737, filed 5/26/94, effective 6/26/94.)

**WAC 388-96-737 Operational cost area rate.** (1)

The operational cost center shall include for cost reporting purposes all allowable costs having a direct relationship to the daily operation of the nursing facility (but not including nursing services and related care, food, administrative, or property costs), whether such operating costs are incurred at the facility or are allocated in accordance with a department-approved joint cost allocation methodology.

(2) ~~((Once every two years, when the rates are set at the beginning of each new biennium, starting with July 1, 1993 prospective))~~ For July 1, 1995 rate setting only, the department shall determine peer group median cost plus limits for the operational cost center in accordance with this section.

(a) The department shall divide into two peer groups nursing facilities located in the state of Washington providing services to Medicaid residents. These two peer groups shall be:

(i) Those nursing facilities located within a metropolitan statistical area (MSA) as defined and determined by the United States Office of Management and Budget or other applicable federal office (MSA facilities); and

(ii) Those not located within such an area (Non-MSA facilities).

(b) Prior to any adjustment for economic trends and conditions under WAC 388-96-719, the facilities in each peer group shall be arrayed from lowest to highest by magnitude of per ~~((patient))~~ resident day adjusted operational cost from the ~~((prior))~~ 1994 cost report year, regardless of whether any such adjustments are contested by the nursing facility. All available cost reports from the ~~((prior))~~ 1994 cost report year having at least six months of cost report data shall be used, including all closing cost reports covering at least six months. Costs current-funded by means of rate add-ons, granted under the authority of WAC 388-96-774 and WAC 388-96-777 and commencing in the ~~((prior))~~ 1994 cost report year, shall be included in costs arrayed. The department shall exclude costs current-funded by rate add-ons commencing January 1 through June 30 ~~((following the prior cost report year))~~, 1995 from costs arrayed.

(c) The median or fiftieth percentile nursing facility operational cost for each peer group shall then be determined. In the event there are an even number of facilities within a peer group, the adjusted operational cost of the lowest cost facility in the upper half shall be used as the median cost for that peer group. Facilities at the fiftieth percentile in each peer group and those immediately above

and below it shall be subject to field audit in the operational cost area prior to issuing new July 1 rates.

(3) ~~((Except as may be otherwise specifically provided in this section, beginning with July 1, 1993 prospective rates))~~ For July 1, 1995 rate setting only, operational component rates for facilities within each peer group shall be set ~~((for the first fiscal year of each state biennium))~~ at the lower of:

(a) The facility's adjusted per patient day operational cost from the ~~((most recent prior))~~ 1994 report period, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719; or

(b) The median nursing facility operational cost for the facility's peer group using the 1994 calendar year report data plus twenty-five percent of that cost, reduced or increased by the change in the IPD Index as authorized by WAC 388-96-719.

(4) Rate add-ons made to current fund operational costs, pursuant to WAC 388-96-774 and WAC 388-96-777 and commencing in the ~~((prior))~~ 1994 cost report year, shall be reflected in ~~((first fiscal year))~~ July 1, 1995 prospective rates only by their inclusion in the costs arrayed. A facility shall not receive, based on the calculation or consideration of any such ~~((prior))~~ 1994 report year rate add-ons, a July 1 operational rate higher than that provided in subsection (3) of this section.

(5) ~~((For July 1, 1993 rate setting only, operational rate adjustments, granted under authority of WAC 388-96-774 and commencing January 1, 1993 through June 30, 1993, shall be added to a facility's operational rate established under subsection (3) of this section.))~~ For ~~((all rate setting beginning))~~ July 1, 1995 and following rate settings, the department shall add operational rate add-ons, granted under authority of WAC 388-96-774 and WAC 388-96-777 ~~((and commencing from January 1 through June 30 preceding the start of a state biennium))~~ to a facility's operational rate, but only up to the facility's peer group median cost plus twenty-five percent limit as follows:

(a) For July 1, 1995, add-ons commencing in the preceding six months;

(b) For July 1, 1996, add-ons commencing in the preceding eighteen months; and

(c) For July 1, 1997, add-ons commencing in the preceding thirty months.

(6) Subsequent to issuing ~~((the first fiscal year))~~ July 1, 1995 rates, the department shall recalculate the median costs of each peer group based upon the most recent adjusted operational cost report information in departmental records as of October 31 ~~((of the first fiscal year of each biennium))~~, 1995. For any facility which would have received a higher or lower July 1 operational component rate ~~((for the first fiscal year))~~ based upon the recalculation of that facility's peer group median costs, the department shall reissue that facility's operational rate reflecting the recalculation, retroactive to July 1 ~~((of the first fiscal year))~~, 1995.

(7) For both the initial calculation of peer group median costs and the recalculation based on adjusted ~~((administrative))~~ operational cost information as of October 31 ~~((of the first fiscal year of the biennium))~~, 1995 the department shall use adjusted information regardless of whether the adjustments may be contested or the subject of pending administrative or judicial review. Median costs, once calculated

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utilizing October 31, 1995 adjusted cost information, shall not be adjusted to reflect subsequent administrative or judicial rulings, whether final or not.

(8) ~~((Beginning with July 1, 1994 prospective rates, a nursing facility's operational rate for the second fiscal year of each biennium shall be that facility's operational rate as of July 1 of the first year of the same biennium reduced or increased utilizing the HCFA Index as authorized by WAC 388-96-719.~~

~~((9) The alternating procedures prescribed in this section and in WAC 388-96-719 for a nursing facility's two July 1 operational rates occurring within each biennium shall be followed in the same order for each succeeding biennium))~~ For rates effective July 1, 1996, a nursing facility's noncost-rebased operational component rate shall be that facility's operational component rate existing on June 30, 1996, reduced or inflated as authorized by RCW 74.46.420 and WAC 388-96-719. The July 1, 1996, operational component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective operational component rate as of June 30, 1996, excluding any rate increases granted from January 1, 1996 to June 30, 1996 pursuant to RCW 74.46.460, WAC 388-96-774 and 388-96-777.

(9) For rates effective July 1, 1997, a nursing facility's noncost-rebased operational component rate shall be that facility's operational component rate existing on June 30, 1997, reduced or inflated as authorized by RCW 74.46.420 and WAC 388-96-719. The July 1, 1997, operational component rate used to calculate the return on investment (ROI) component rate shall be the inflated prospective operational component rate as of June 30, 1997, excluding any rate increases granted from January 1, 1997 to June 30, 1997 pursuant to RCW 74.46.460, WAC 388-96-774 and 388-96-777.

**AMENDATORY SECTION** (Amending Order 3737, filed 5/26/94, effective 6/26/94)

**WAC 388-96-745 Property cost area reimbursement rate.** (1) The department shall determine the property cost area component rate for each facility annually, to be effective July 1, ~~((regardless of whether the July 1 rate is for the first or second year of the biennium))~~ 1995, 1996, and 1997 in accordance with this section and any other applicable provisions of this chapter. For July 1, 1995, July 1, 1996, and July 1, 1997 rates, funding granted under the authority of WAC 388-96-776 shall be annualized and subsumed in each of these July 1 prospective rates.

(2) The department shall divide the allowable prior period depreciation costs subject to the provisions of this chapter, adjusted for any capitalized addition or replacements approved by the department, plus

(a) The retained savings from the property cost center as provided in WAC 388-96-228, by

(b) The greater of:

(i) Total ~~((patient))~~ resident days for the facility in the ~~((prior))~~ calendar year cost report period ending six months prior to each July 1, property component rate commencement date; or

(ii) Resident days for the facility as calculated on ninety or eighty-five percent facility occupancy, as applicable in

accordance with the provisions of this chapter and chapter 74.46 RCW.

(3) Allowable depreciation costs are defined as the costs of depreciation of tangible assets meeting the criteria specified in WAC 388-96-557, regardless of whether owned or leased by the contractor. The department shall not reimburse depreciation of leased office equipment.

(4) If a capitalized addition or retirement of an asset will result in a different licensed bed capacity during the calendar year following the capitalized addition or replacement, ~~((patient))~~ resident days from the cost report for the calendar year immediately prior to the capitalized addition or replacement that were used in computing the property component rate will be adjusted to the product of the occupancy level derived from the cost report used to compute the property component rate at the time of the increased licensed bed capacity multiplied by the number of calendar days in the calendar year following the increased licensed bed capacity multiplied by the number of licensed beds on the new license. For rate computation purposes the minimum occupancy for the initial property component rate period following the increase in licensed bed capacity shall be eighty-five percent; and for each rate period thereafter that will be rebased, commencing July 1, it shall be ninety percent. If a capitalized addition, replacement, or retirement results in a decreased licensed bed capacity, WAC 388-96-709 will apply.

(5) When a facility is constructed, remodeled, or expanded after obtaining a certificate of need, the department shall determine actual and allocated allowable land cost and building construction cost. Reimbursement for such allowable costs, determined pursuant to the provisions of this chapter, shall not exceed the maximums set forth in this subsection and in subsections (4), (5), and (6) of this section. The department shall determine construction class and types through examination of building plans submitted to the department and/or on-site inspections. The department shall use definitions and criteria contained in the *Marshall and Swift Valuation Service* published by the Marshall and Swift Publication Company. Buildings of excellent quality construction shall be considered to be of good quality, without adjustment, for the purpose of applying these maximums.

(6) Construction costs shall be final labor, material, and service costs to the owner or owners and shall include:

(a) Architect's fees;

(b) Engineers' fees (including plans, plan check and building permit, and survey to establish building lines and grades);

(c) Interest on building funds during period of construction and processing fee or service charge;

(d) Sales tax on labor and materials;

(e) Site preparation (including excavation for foundation and backfill);

(f) Utilities from structure to lot line;

(g) Contractors' overhead and profit (including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, etc.);

(h) Allocations of costs which increase the net book value of the project for purposes of Medicaid reimbursement;

(i) Other items included by the *Marshall and Swift Valuation Service* when deriving the calculator method costs.

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(7) The department shall allow such construction costs, at the lower of actual costs or the maximums derived from one of the three tables which follow. The department shall derive the limit from the accompanying table which corresponds to the number of total nursing home beds for the proposed new construction, remodel or expansion. The limit will be the sum of the basic construction cost limit plus the common use area limit which corresponds to the type and class of the new construction, remodel or expansion. The limits calculated using the tables shall be adjusted forward from September 1990 to the average date of construction, to reflect the change in average construction costs. The department shall base the adjustment on the change shown by relevant cost indexes published by Marshall and Swift Publication Company. The average date of construction shall be the midpoint date between award of the construction contract and completion of construction.

**BASE CONSTRUCTION  
COST LIMITS****COMMON-USE AREA  
COST LIMITS****74 BEDS & UNDER**

Building Class	Base per Bed Limit	Base Limit
A-Good	\$50,433	\$278,847
A-Avg	\$41,141	\$227,469
B-Good	\$48,421	\$267,718
B-Avg	\$40,042	\$221,392
C-Good	\$35,887	\$198,421
C-Avg	\$27,698	\$153,143
C-Low	\$21,750	\$120,258
D-Good	\$33,237	\$183,765
D-Avg	\$25,716	\$142,182
D-Low	\$20,298	\$112,227

**BASE CONSTRUCTION  
COST LIMITS****COMMON-USE AREA  
COST LIMITS****75 TO 120 BEDS**

Building Class	Base Limit	Add per Bed Over 74	Base Limit	Add per Bed Over 74
A-Good	\$3,732,076	\$48,210	\$278,847	\$2,808
A-Avg	\$3,044,442	\$39,327	\$227,469	\$2,291
B-Good	\$3,583,131	\$46,286	\$267,718	\$2,696
B-Avg	\$2,963,112	\$38,277	\$221,392	\$2,230
C-Good	\$2,655,654	\$34,305	\$198,421	\$1,998
C-Avg	\$2,049,668	\$26,477	\$153,143	\$1,542
C-Low	\$1,609,531	\$20,792	\$120,258	\$1,211
D-Good	\$2,459,506	\$31,771	\$183,765	\$1,851
D-Avg	\$1,902,956	\$24,582	\$142,182	\$1,442
D-Low	\$1,502,048	\$19,403	\$112,227	\$1,130

**BASE CONSTRUCTION  
COST LIMITS****COMMON-USE AREA  
COST LIMITS****121 BEDS AND OVER**

Building Class	Base Limit	Add per Bed Over 120	Base Limit	Add per Bed Over 120
A-Good	\$5,949,745	\$42,359	\$408,015	\$2,106
A-Avg	\$4,853,505	\$34,555	\$332,355	\$1,718
B-Good	\$5,712,287	\$40,669	\$391,734	\$2,022
B-Avg	\$4,723,848	\$30,142	\$323,972	\$1,672
C-Good	\$4,233,692	\$23,264	\$290,329	\$1,499
C-Avg	\$3,267,618	\$18,268	\$224,092	\$1,157
C-Low	\$2,565,943	\$27,916	\$175,971	\$908
D-Good	\$3,920,989	\$21,599	\$268,911	\$1,388
D-Avg	\$3,033,727	\$17,048	\$208,493	\$1,081
D-Low	\$2,394,592	\$19,403	\$164,220	\$848

(8) When some or all of a nursing home's common-use areas are situated in a basement, the department shall exclude some or all of the per-bed allowance shown in the attached tables for common-use areas to derive the construction cost lid for the facility. The amount excluded will be equal to the ratio of basement common-use areas to all common-use areas in the facility times the common-use area limit in the table. In lieu of the excluded amount, the department shall add an amount calculated using the calculator method guidelines for basements in nursing homes from the Marshall and Swift Publication.

(9) Subject to provisions regarding allowable land contained in this chapter, allowable costs for land shall be the lesser of:

(a) Actual cost per square foot, including allocations; or

(b) The average per square foot land value of the ten nearest urban or rural nursing facilities at the time of purchase of the land in question. The average land value sample shall reflect either all urban or all rural facilities depending upon the classification of urban or rural for the facility in question. The values used to derive the average shall be the assessed land values which have been calculated for the purpose of county tax assessments.

(10) If allowable costs for construction or land are determined to be less than actual costs pursuant to subsection (3), (4), and (5) of this section, the department may increase the amount if the owner or contractor is able to show unusual or unique circumstances having substantially impacted the costs of construction or land. Actual costs shall be allowed to the extent they resulted from such circumstances up to a maximum of ten percent above levels determined under subsections (3), (4), and (5) of this section for construction or land. An adjustment under this subsection shall be granted only if requested by the contractor. The contractor shall submit documentation of the unusual circumstances and an analysis of their financial impact with the request.

**AMENDATORY SECTION** (Amending Order 3737, filed 5/26/94, effective 6/26/94)

**WAC 388-96-754 A contractor's return on investment.** (1) The department shall establish for each Medicaid nursing facility a return on investment (ROI) component rate composed of a financing allowance and a variable return allowance. The department shall determine a facility's ROI rate annually in accordance with this section, to be effective July 1, ~~((regardless of whether the rate is for the first or second fiscal year of a state biennium))~~ 1995, July 1, 1996, and July 1, 1997.

(2) The department shall rebase a nursing facility's financing allowance annually and shall determine the financing allowance by:

(a) Multiplying the net invested funds of each facility by ten percent and dividing by the ~~((contractor's))~~ greater of:

(i) A nursing facility's total ((patient)) resident days from the most recent cost report period, to which the provisions of WAC 388-96-719 and RCW 74.46.420 shall apply((and corresponding)); or

(ii) Resident days calculated on ninety percent or eighty-five percent resident occupancy at the facility, as determined by the provisions of this chapter. Resident day calculations

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from the most recent cost report shall correspond to the following:

(A) If the nursing facility cost report covers twelve months, annual ~~((patient))~~ resident days from the contractor's most recent twelve month cost report period; or

(B) If the nursing facility cost report covers less than twelve months but more than six months, annualized ~~((patient))~~ resident days and working capital costs based upon data in the cost report; or

(C) If a capitalized addition or replacement results in an increased licensed bed capacity during the calendar year following the capitalized addition or replacement, the total ~~((patient))~~ resident days from the cost report immediately prior to the capitalized addition or replacement that were used in computing the financing and variable return allowances will be adjusted to the product of the occupancy level derived from the cost report used to compute the financing and variable return allowances at the time of the increased licensed bed capacity multiplied by the number of calendar days in the calendar year following the increased licensed bed capacity multiplied by the number of licensed beds on the new license; or

(D) If a capitalized addition or retirement of an asset results in a ~~((different))~~ decreased licensed bed capacity WAC 388-96-709 will apply~~((+))~~.

(b) For ~~((the first fiscal year of a state biennium))~~ July 1, 1995 rate setting, the working capital portion of net invested funds at a nursing facility shall be five percent of the sum of a contractor's costs from the cost report year used to establish the contractor's prospective component rates in the nursing services, food, administrative, and operational cost centers that have been adjusted for economic trends and conditions under authority of WAC 388-96-719 and RCW 74.46.420 and five percent of allowable property cost.

(c) For ~~((the second fiscal year of a state biennium))~~ July 1, 1996 rate setting, the working capital portion of net invested funds shall be five percent of the sum of the July 1, 1996 prospective component rates, excluding any rate increases granted from January 1, 1996 to June 30, 1996 pursuant to RCW 74.46.460, WAC 388-96-774 and 388-96-777, for ~~((the first fiscal year in))~~ the nursing services, food, administrative, and operational cost centers multiplied by ~~((the patient))~~ resident days as defined in subsection (2)(a)((i)), (ii)((i)), or (iii)(A), (B), (C), and (D) of this section from ~~((the))~~ calendar year ~~((immediately prior to the second fiscal year of a state biennium))~~ 1995, adjusted for economic trends and conditions granted under authority of WAC 388-96-719 plus the desk reviewed property costs from the cost report ~~((of the prior))~~ for calendar year 1995.

~~((+))~~ (d) For July 1, 1997 rate setting, the working capital portion of net invested funds shall be five percent of the sum of the July 1, 1997 prospective component rates, excluding any rate increases granted from January 1, 1997 to June 30, 1997 pursuant to RCW 74.46.460, WAC 388-96-774 and 388-96-777, for the nursing services, food, administrative and operational cost centers multiplied by resident days as defined in subsection (2)(a)(iii)(A), (B), (C), and (D) of this section from calendar year 1996, adjusted for economic trends and conditions granted under authority of WAC 388-96-719 plus the desk reviewed property costs from the cost report for calendar year 1996.

~~((+))~~ For ~~((either the first or second year of a state biennium))~~ July 1, 1995, July 1, 1996, and July 1, 1997 rate setting, in computing the portion of net invested funds representing the net book value of tangible fixed assets, the same assets, depreciation bases, lives, and methods referred to in this chapter, including owned and leased assets, shall be used, except the capitalized cost of land upon which a facility is located and other such contiguous land which is reasonable and necessary for use in the regular course of providing ~~((patient))~~ resident care shall also be included. As such, subject to provisions contained in this chapter, capitalized cost of leased land, regardless of the type of lease, shall be the lessor's historical capitalized cost. Subject to provisions contained in this chapter, for land purchases before July 18, 1984 (the enactment date of the Deficit Reduction Act of 1984 (DEFRA)), capitalized cost of land shall be the buyer's capitalized cost. For all partial or whole rate periods after July 17, 1984, if the land is purchased on or after July 18, 1984, capitalized cost of land shall be that of the owner of record on July 17, 1984, or buyer's capitalized cost, whichever is lower. In the case of leased facilities where the net invested funds are unknown or the contractor is unable or unwilling to provide necessary information to determine net invested funds, the department may determine an amount to be used for net invested funds based upon an appraisal conducted by the department of general administration per this chapter; and

~~((+))~~ (f) A contractor shall retain that portion of ROI rate payments at settlement representing the contractor's financing allowance only to the extent reported net invested funds, upon which the financing allowance is based, are substantiated by the department.

(3) The department shall determine the variable return allowance according to the following procedure:

(a) ~~((Once every two years at the start of each biennium, beginning with))~~ For July 1, ((+1993)) 1995 rate setting only, the department shall, without utilizing the MSA and Non-MSA peer groups used to calculate other Medicaid component rates, rank all facilities in numerical order from highest to lowest based upon the combined average ~~((per diem))~~ resident day allowable costs, as adjusted by desk review and audit, for the nursing services, food, administrative, and operational cost centers taken from the ~~((prior))~~ 1994 cost report period. The department shall use adjusted costs taken from 1994 cost reports having at least six months of data, shall not include adjustments for economic trends and conditions granted under authority of WAC 388-96-719 and RCW 74.46.420, and shall include costs current-funded under authority of WAC 388-96-774 and 388-96-777 and commencing in the ~~((prior))~~ 1994 cost report year. The adjusted costs of each facility shall be calculated based upon a minimum facility occupancy of ninety percent. In the case of a new contractor, nursing services, food, administrative, and operational cost levels actually used to set the initial rate shall be used for the purpose of ranking the new contractor.

(b) The department shall compute the variable return allowance by multiplying the sum of the July 1, 1995 nursing services, food, administrative and operational rate components for each nursing facility by the appropriate percentage which shall not be less than one percent nor greater than four percent. The department shall divide the facilities ranked according to subsection (3)(a) of this section

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into four groups, from highest to lowest, with an equal number of facilities in each group or nearly equal as is possible. The department shall assign facilities in the highest quarter a percentage of one, in the second highest quarter a percentage of two, in the third highest quarter a percentage of three, and in the lowest quarter a percentage of four. The per patient day variable return allowance in the initial rate of a new contractor shall be the same as that in the rate of the preceding contractor, if any.

(c) The percentages so determined and assigned to each facility for July 1, 1995 rate setting ((for the first fiscal year of each state biennium)) shall continue to be assigned without modification for July 1, 1996 and July 1, 1997 rate setting ((for the second fiscal year of each biennium)). Neither the break points separating the four groups nor facility ranking shall be adjusted to reflect future rate additions granted to contractors for any purpose under WAC 388-96-774 and 388-96-777. These principles shall apply, as well, to new contractors as defined in WAC 388-96-026 (1)(a) and (b).

(d) For an initial rate established for a nursing facility on or after July 1, 1995 under WAC 388-96-710(1), the variable return allowance shall be computed as provided in subsection (3)(b) of this section, using the identical variable return percentage breakpoints calculated for July 1, 1995 rate setting. The variable return breakpoints shall not be modified based upon the consideration of any rate adjustment, nor shall the variable return breakpoints be adjusted for economic trends and conditions. The percentage so determined and assigned for the initial rate shall continue until the facility's return on investment component rate can be rebased from cost report data of the new contractor covering at least six months from the prior calendar year.

(e) For a new contractor's nursing facility rate rebased as of July 1, 1996 determined under WAC 388-96-710, the variable return allowance shall be computed as provided in subsection (3)(b) of this section, using the identical variable return breakpoints calculated for July 1, 1995 rate setting. The variable return breakpoints shall not be modified based upon the consideration of any rate adjustment, nor shall the variable return breakpoints be adjusted for economic trends and conditions. The percentage so determined and assigned for the rebased rate at this time shall continue without modification for July 1, 1997 rate setting.

(f) For a new contractor's nursing facility rate rebased as of July 1, 1997 determined under WAC 388-96-710, the variable return allowance shall be computed as provided in subsection (3)(b) of this section, using the identical variable return breakpoints calculated for July 1, 1995 rate setting. The variable return breakpoints shall not be modified based upon consideration of any rate adjustment, nor shall the variable return breakpoints be adjusted for economic trends and conditions. The percentage so determined and assigned for the rebased rate at this time shall continue without modification until June 30, 1998.

(4) The sum of the financing allowance and the variable return allowance shall be the return on investment rate for each facility and shall be a component of the prospective rate for each facility.

(5) If a facility is leased by a contractor as of January 1, 1980, in an arm's-length agreement, which continues to be leased under the same lease agreement as defined in this

chapter, and for which the annualized lease payment, plus any interest and depreciation expenses of contractor-owned assets, for the period covered by the prospective rates, divided by the contractor's total patient days, minus the property cost center determined according to this chapter, is more than the return on investment allowance determined according to this section, the following shall apply:

(a) The financing allowance shall be recomputed substituting the fair market value of the assets, as of January 1, 1982, determined by department of general administration appraisal less accumulated depreciation on the lessor's assets since January 1, 1982, for the net book value of the assets in determining net invested funds for the facility. Said appraisal shall be final unless shown to be arbitrary and capricious.

(b) The sum of the financing allowance computed under this subsection and the variable return allowance shall be compared to the annualized lease payment, plus any interest and depreciation expenses of contractor-owned assets, for the period covered by the prospective rates, divided by the contractor's total patient days, minus the property cost center rate determined according to this chapter. The lesser of the two amounts shall be called the alternate return on investment allowances.

(c) The return on investment allowance determined in accordance with subsections (1), (2), (3), and (4) of this section or the alternate return on investment allowance, whichever is greater, shall be the return on investment allowance for the facility and shall be a component of the prospective rate of the facility.

(d) In the case of a facility leased by the contractor as of January 1, 1980, in an arm's-length agreement, if the lease is renewed or extended pursuant to a provision of the lease agreement existing on January 1, 1980, the treatment provided in subsection (5)(a) of this section shall be applied except that in the case of renewals or extensions made on or subsequent to April 1, 1985, per a provision of the lease agreement existing on January 1, 1980, reimbursement for the annualized lease payment shall be no greater than the reimbursement for the annualized lease payment for the last year prior to the renewal or extension of the lease.

(6) The information from the two prior reporting periods used to set the two prospective return on investment rates in effect during the settlement year is subject to field audit. If the financing allowances which can be documented and calculated at audit of the prior periods are different than the prospective financing allowances previously determined by desk-reviewed, reported information, and other relevant information, the prospective financing allowances shall be adjusted to the audited level at final settlement of the year the rates were in effect, except the adjustments shall reflect a minimum bed occupancy level of eighty-five percent. Any adjustments to the financing allowances pursuant to this subsection shall be for settlement purposes only. However, the variable return allowances shall be the prospective allowances determined by desk-reviewed, reported information, and other relevant information and shall not be adjusted to reflect prior-period audit findings.

Reviser's note: RCW 34.05.395 requires the use of underlining and deletion marks to indicate amendments to existing rules. The rule published above varies from its predecessor in certain respects not indicated by the use of these markings.

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AMENDATORY SECTION (Amending Order 3737, filed 5/26/94, effective 6/26/94)

**WAC 388-96-763 Rates for recipients requiring exceptionally heavy care.** (1) A nursing facility contractor certified to provide nursing services, a discharging hospital, a recipient of Medicaid benefits or her/his authorized representative may apply for an individual prospective reimbursement rate for a Medicaid recipient whose special nursing and direct care-related service needs are such that the hours of nursing services needed are at least twice the per patient day average of nursing services hours provided in the nursing facility to which the recipient is admitted as determined by the facility's Medicaid cost report for ~~((the))~~ calendar year ~~((immediately prior to the first fiscal year of the current state biennium))~~ 1994.

(2) When application for an exceptional care rate is made before determining where the recipient will be placed, pre-admission qualification may be granted when the recipient's special nursing and direct care needs require hours of nursing services at least twice the statewide per patient day average derived from Medicaid cost reports for ~~((the))~~ calendar year ~~((immediately prior to the first fiscal year of the current state biennium))~~ 1994. For reviews to determine continued qualification only for such recipients, conducted during the specified period of time determined under subsection (4) of this section, the department will continue to utilize the statewide average available to the department, assuming the care plan is unchanged. For subsequent reviews to determine continued qualification, the contractor's average, set forth under subsection (1) of this section, shall be substituted for the statewide average.

(3) The contractor or other applicant shall apply for exceptional care rate qualification for an exceptionally heavy care recipient in accordance with department instructions. The facility shall bill the department at the authorized exceptional care rate within three hundred sixty-five days from the exceptional care rate's effective date. Bills for services submitted after three hundred sixty-five days shall be denied as untimely.

(4) When the department grants an individual rate for an exceptionally heavy care recipient, it shall be for a specified period of time, which the department shall determine, subject to extension, revision, or termination depending on the recipient's care requirements at the end of such period. If within thirty days after a resident's admission to a nursing facility the application for such resident for an exceptional care rate is submitted to the department and includes the facility plan of care documenting the need for and delivery of the resident's nursing and direct care hours, the rate, if approved, shall be effective as of the date of admission. Applications submitted more than thirty days after admission to the facility, if approved, shall be effective as of the date of application.

(5) Extensions of exceptional care rates will not be approved without an updated care plan and resident medical status information submitted in accordance with departmental instruction prior to the scheduled date of the rate's termination. Failure to comply will result in automatic termination as of the scheduled date and reinstatement of an exceptional care rate, if desired, will require re-application and approval. Discharge or transfer of the recipient, permanently or

temporarily, shall terminate an exceptional care rate when shall be nontransferable to a different facility. Qualification upon re-admission shall require re-application. A contractor may not transfer or discharge a Medicaid recipient based upon the status of an exceptional care rate or application for such a rate.

(6) Regardless of whether statewide average nursing hours derived from the Medicaid cost reports for ~~((the))~~ calendar year ~~((immediately prior to the first fiscal year of the current state biennium))~~ 1994 or facility average nursing hours reported on the Medicaid cost reports for ~~((the))~~ calendar year ~~((immediately prior to the first fiscal year of the current state biennium))~~ 1994 are used for qualification, the exceptional care rate for a recipient shall be calculated by:

(a) Deriving a ratio equivalent to actual or projected nursing hours per patient day needed by the recipient in excess of the facility-specific reimbursed average nursing hours per patient day divided by the facility-specific reported average nursing hours per patient day derived from the Medicaid cost reports for ~~((the))~~ calendar year ~~((immediately prior to the first fiscal year of the current state biennium))~~ 1994;

(b) Multiplying the ratio by the facility-specific nursing services rate in effect at the time of the initial request or in the case of continuation or revision, the facility's nursing services rate in effect at the time of the approval of the continuation or revision; and

(c) Adding the result of subsection (6)(b) of this section to the total facility-specific reimbursement rate; *provided*, that in no circumstance shall an exceptional care rate exceed one hundred sixty percent of the facility's Medicare reimbursement rate in place at the time the exceptional care rate takes effect.

(7) A pre-admission exceptional care rate shall be effective for thirty days. The contractor shall notify the department, in writing, as soon as the recipient is admitted to the contractor's facility. If resident placement in a Medicaid nursing facility has not occurred within thirty days after the department receives the exceptional care application the contractor shall submit, an updated plan of care in order to reinstate exceptional care qualification.

(8) Unless the department establishes otherwise, extensions require an updated plan of care to be completed and submitted every ninety days for each exceptional care recipient, including documentation supporting the need for services identified in the plan of care. The department shall base a decision to continue, revise, or terminate an exceptional care rate on review of the updated plan of care and supporting documentation, a current care need assessment, and other information available to the department.

In order to extend an exceptional care rate, the review must verify continued need for and delivery of nursing, direct and ancillary care services funded by the rate.

(9) An exceptional care rate shall not be revised during the period the exceptional care rate is in effect because the facility-specific nursing services or total rate is revised or reset; however, when an exceptional care rate is continued or revised as authorized in this section, the facility rate in place at the time of continuation or revision shall be used in the calculation process. An exceptional care rate shall be revised during the period the rate is in effect only when:



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(a) An updated plan of care indicates a significant change in care needs; or

(b) Funded services are not fully delivered.

(10) No retroactive revision shall be made to an exceptional care rate, provided that:

(a) When application is made within thirty days after the recipient is admitted to the contractor's facility, an approved rate shall be effective the date of admission;

(b) When an exceptional care rate is revised due to a significant change, the revised rate will be effective on the date the department receives the updated plan of care and supporting documentation; and

(c) When care services funded by an exceptional care rate are not fully delivered, the exceptional care rate shall be reduced retroactively as of its effective date to the regular facility Medicaid rate and payment at the exceptional care rate shall cease immediately.

(11) Hours of nursing and direct care used to qualify a recipient and to calculate an exceptional rate must be verified by a home and community services division, aging and adult services, regional community nurse consultant.

(12) The department shall notify the contractor, in writing, of the disposition of its application as soon as possible and in no case longer than thirty days following receipt of a properly completed application and supporting documentation.

**AMENDATORY SECTION** (Amending Order 3634, filed 9/14/93, effective 10/15/93)

**WAC 388-96-765 Ancillary care.** Beginning July 1, 1984, costs of providing ancillary care are allowable, subject to any applicable cost center limit contained in this chapter, provided documentation establishes the costs were incurred for medical care recipients and other sources of payment to which ~~((patients))~~ recipients may be legally entitled, such as private insurance or Medicare, were first fully utilized.

**AMENDATORY SECTION** (Amending Order 2372, filed 5/7/86, effective 7/1/86)

**WAC 388-96-769 Adjustments required due to errors or omissions.** (1) Prospective rates are subject to adjustment by the department in accordance with this section and subject to WAC 388-96-122 as a result of errors or omissions by the department or by the contractor. The department will notify the contractor in writing of each adjustment and of the effective date of the adjustment, and of any amount due to the department or to the contractor as a result of the rate adjustment. Rates adjusted in accordance with this section will be effective as of the effective date of the original rate whether the adjustment is solely for computing a preliminary or final settlement or for the purpose of modifying past or future rate payments as well.

(2) If a contractor claims an error or omission based upon incorrect cost reporting, amended cost report pages shall be prepared and submitted by the contractor. Amended pages shall be accompanied by the certification required by WAC 388-96-117 and a written justification explaining why the amendment is necessary. Such amendments shall not be accepted unless the amendments meet the requirements of WAC 388-96-122. If changes made by the amendments are

standards established by the department, such amended pages shall be subject to field audit. If a field audit or other information available to the department determines the amendments are incorrect or otherwise unacceptable, any rate adjustment based on the amendment shall be null and void and future rate payment increases, if any, scheduled as a result of such an adjustment shall be cancelled immediately. Payments made based upon the rate adjustment shall be subject to repayment as provided in subsection (3) of this section.

(3) The contractor shall pay an amount owed the department, as determined by the department on or after July 1, 1995, resulting from an error or omission or from an improper adjustment, or commence repayment in accordance with a schedule determined and agreed to in writing by the department, within sixty days after receipt of notification of the rate adjustment or rate adjustment cancellation ~~((unless the contractor contests the department's determination in accordance with the procedures set forth in WAC 388-96-904. If the determination is contested, the contractor shall pay or commence repayment within sixty days after completion of these proceedings))~~. If a refund as determined by the department is not paid when due, the amount thereof may be deducted from current payments by the department. However, neither a timely filed request to seek administrative review under WAC 388-96-904 nor commencement of judicial review, as may be available to the contractor in law, shall delay recovery, including recoupment of the refund from current payments made by the department to the contractor for nursing facility services.

(4) If a cost report amendment is accepted for rate adjustment and was received by the department prior to the end of the period to which the rate is assigned, the department shall make any retroactive payment to which the contractor may be entitled within thirty days after the contractor is notified of the rate adjustment and shall increase future rate payments for the rate period, as appropriate.

(5) If a cost report amendment is received by the department subsequent to the rate period, notification of an adjustment or other disposition shall be made at preliminary or final settlement. Adjustments resulting from amendments received after the rate period shall be for the sole purpose of computing the preliminary or final settlement and no retroactive payment shall be made to the contractor. In accordance with WAC 388-96-229(1), any amount due a contractor as determined at preliminary or final settlement shall be paid within ~~((thirty))~~ sixty days after the preliminary or final settlement ~~((report))~~ is ~~((submitted to))~~ received by the contractor.

(6) No adjustments for any purpose will be made to a rate more than one hundred twenty days after the final audit narrative and summary for the period the rate was effective is sent to the contractor or more than one hundred twenty days after the preliminary settlement becomes the final settlement. A final settlement within this one hundred twenty-day time limit may be reopened for the limited purpose of making an adjustment to a prospective rate in accordance with this section. However, only the adjustment and related computation will be subject to review if timely contested pursuant to WAC 388-96-901 and 388-96-904. Other actions relating to a settlement reopened shall not be

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subject to review unless previously contested in a timely manner.

**AMENDATORY SECTION** (Amending Order 3737, filed 5/26/94, effective 6/26/94)

**WAC 388-96-776 Add-ons to the prospective rate—Capital improvements.** (1) The department shall grant an add-on to a prospective rate for any capitalized additions or replacements made as a condition for licensure or certification; *provided*, the net rate effect is ten cents per patient day or greater.

(2) The department shall grant an add-on to a prospective rate for capitalized improvements done under RCW 74.46.465; *provided*, the legislature specifically appropriates funds for capital improvements for the biennium in which the request is made and the net rate effect is ten cents per patient day or greater. Physical plant capital improvements include, but are not limited to, capitalized additions, replacements or renovations made as a result of an approved certificate of need or capitalized additions or renovations for the removal of physical plant waivers.

(3) When physical plant improvements made under subsection (1) or (2) are completed in phases, the department shall not grant a rate add-on for any addition, replacement or improvement until each phase is completed and fully utilized for which it was intended. The department shall limit rate add-on to only the actual cost of the depreciable tangible assets meeting the criteria of WAC 388-96-557 and as applicable to that specific completed and fully utilized phase.

(4) When the construction class of any portion of a newly constructed building will improve as the result of any addition, replacement or improvement occurring in a later, but not yet completed and fully utilized phase of the project, the most appropriate construction class, as applicable to that completed and fully utilized phase, will be assigned for purposes of calculating the rate add-on. The department shall not revise the rate add-on retroactively after completion of the portion of the project that provides the improved construction class. Rather, the department shall calculate a new rate add-on when the improved construction class phase is completed and fully utilized and the rate add-on will be effective in accordance with subsection (8) of this section using the date the class was improved.

(5) The department shall not add on construction fees as defined in WAC 388-96-745(6) and other capitalized allowable fees and costs as related to the completion of all phases of the project to the rate until all phases of the entire project are completed and fully utilized for the purpose it was made. At that time, the department shall add on these fees and costs to the rate, effective no earlier than the earliest date a rate add-on was established specifically for any phase of this project. If the fees and costs are incurred in a later phase of the project, the add-on to the rate will be effective on the same date as the rate add-on for the actual cost of the tangible assets for that phase.

(6) The contractor requesting an adjustment under subsection (1) or (2) shall submit a written request to the office of rates management separate from all other requests and inquiries of the department, e.g., WAC 388-96-904 (1) and (5). A complete written request shall include the following:

(a) A copy of documentation (i.e., survey level "A" deficiency) requiring completion of the addition or replacements to maintain licensure or certification for adjustments requested under subsection (1) of this section;

(b) A copy of the new bed license, whether the number of licensed beds increases or decreases, if applicable;

(c) All documentation, e.g., copies of paid invoices showing actual final cost of assets and/or service, e.g., labor purchased as part of the capitalized addition or replacements;

(d) Certification showing the completion date of the capitalized additions or replacements and the date the assets were placed in service per WAC 388-96-559(2);

(e) A properly completed depreciation schedule for the capitalized additions or replacement as provided in this chapter;

(f) A written justification for granting the rate increase; and

(g) For capitalized additions or replacements requiring certificate of need approval, a copy of the approval and description of the project.

(7) The department's criteria used to evaluate the request may include, but is not limited to:

(a) The remaining functional life of the facility and the length of time since the facility's last significant improvement;

(b) The amount and scope of the renovation or remodel to the facility and whether the facility will be better able to serve the needs of its residents;

(c) Whether the improvement improves the quality of living conditions of the residents;

(d) Whether the improvement might eliminate life safety, building code, or construction standard waivers;

(e) Prior survey results; and

(f) A review of the copy of the approval and description of the project.

(8) The department shall not grant a rate add-on effective earlier than sixty days prior to the receipt of the initial written request by the office of rates management and not earlier than the date the physical plant improvements are completed and fully utilized. The department shall grant a rate add-on for an approved request as follows:

(a) If the physical plant improvements are completed and fully utilized during the period from the first day to the fifteenth day of the month, then the rate will be effective on the first day of that month; or

(b) If the physical plant improvements are completed and fully utilized during the period from the sixteenth day and the last day of the month, the rate will be effective on the first day of the following month.

(9) If the initial written request is incomplete, the department will notify the contractor of the documentation and information required. The contractor shall submit the requested information within fifteen days from the date the contractor receives the notice to provide the information. If the contractor fails to complete the add-on request by providing all the requested documentation and information within the fifteen days from the date of receipt of notification, the department shall deny the request for failure to complete.

(10) If, after the denial for failure to complete, the contractor submits a written request for the same project, the date of receipt for the purpose of applying subsection (8)

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